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C O N F I D E N T I A L SECTION 01 OF 04 MUMBAI 000134

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TAGS: [ENRG](#) [SENV](#) [BEXP](#) [EFIN](#) [EINV](#) [EPET](#) [EMIN](#) [ETRD](#) [PREL](#)
PGOV, IN
SUBJECT: KAKODKAR GIVES POSITIVE HEARING TO U.S. INDUSTRY

REF: 06 MUMBAI 2068

MUMBAI 00000134 001.6 OF 004

CLASSIFIED BY: Michael S. Owen, Consul General, Consulate
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REASON: 1.4 (b), (d)

Summary

¶1. (C) DAE Secretary Anil Kakodkar made a strong positive impression on members of USIBC's nuclear trade delegation during their March 8 meeting in Mumbai. In a briefing following the meeting, most delegation members told us that Kakodkar made compelling arguments to include reprocessing rights in the 123 Agreement. Several delegation members said they expected to encounter a rigid hardliner ultimately interested in diverting reprocessed fuel to India's strategic program, and were surprised by the eloquence and persuasiveness of Kakodkar's economic, energy security and technical arguments for reprocessing. They said that his, and India's, views on reprocessing were still not fully understood and appreciated in Washington. Some said U.S. business would endeavor to better educate Congress, and indicated that the U.S. may, at some time, need to rethink its views on reprocessing rights in the 123 Agreement. GE's Tim Richards was careful not to advocate such a view, and said he would share a written readout of the meeting with Congress and the Administration in the coming days. USIBC's Ted Jones told us that his association sought to avoid a situation where India agreed to omit reprocessing from the 123 Agreement but subsequently gave all its business to French and

Russian firms that agreed to permit reprocessing. Jones hinted that GE could use its political clout in Congress to stall any 123 Agreement that would lead to such a scenario. Kakodkar told GE and Westinghouse that "there was room for everybody" to get one of India's planned nuclear parks, but acknowledged, for the first time, that the Jaitapur site in southern Maharashtra would go to the French. Mission continues to remind our industry interlocutors of the U.S. policy not to allow reprocessing at this stage of the negotiations, but Kakodkar has other ideas. End summary.

Kakodkar: Nuclear Cooperation Pointless Without Reprocessing Rights

12. (SBU) The USIBC's delegation of U.S. nuclear companies met with DAE Secretary Anil Kakodkar on March 8 in Mumbai. After the meeting the delegation gave us a readout of their discussions with Kakodkar. The DAE Secretary told the delegation that civil nuclear cooperation with the U.S. made no sense for India without reprocessing rights. The July 18th Joint Statement foresaw "full" civil nuclear cooperation. For India, full cooperation had to include reprocessing. Hence the draft 123 agreement put forth by the U.S. was a step backwards from the Joint Statement and unacceptable, the delegation quoted Kakodkar as saying.

13. (SBU) Kakodkar used a prepared presentation to explain India's energy needs, the closed-fuel cycle and the need for reprocessing (Note: USIBC will share a copy of Kakodkar's presentation with the USG as soon as it receives it from the DAE. End note). Kakodkar justified the need for reprocessing by citing energy security needs and what he said was India's inability to store unlimited amounts of burnt fuel.

14. (SBU) On energy security, Kakodkar outlined the expected dramatic growth in energy demand, recounted India's dependence

MUMBAI 00000134 002.4 OF 004

on fossil fuel imports, cited what he called the bad experience with the cutoff of fuel to Tarapur and explained the finite nature of India's reserves of natural uranium. The closed fuel cycle and the DAE's three-stage vision were necessary if India was to meet its growing demand for power and achieve energy security, he said. One delegation member told us that Kakodkar said India had about 40 years worth of fuel without resorting to reprocessed fuel. With reprocessing and a complete three stage program, Kakodkar purportedly told the delegation, nuclear power could supply all of India's power needs for the next 500 years. (Comment: In other discussions, Kakodkar and others from DAE and the NPCIL have conceded that nuclear power will, at best, supply up to 25 percent of India's power over the longer term. End comment). Several members of the delegation told us that Kakodkar also made convincing technical justifications for the role of reprocessing in India's plans for a closed-fuel cycle.

15. (SBU) Kakodkar also said that India could not keep storing spent fuel indefinitely. If reprocessing was not an option, then India would accept an arrangement whereby the U.S. would take back any spent fuel, delegation members quoted Kakodkar as saying. David Sloan of Nukem told us that Russia is prepared to take back spent fuel from India, but said U.S. industry acknowledged that such a policy was not an option for the U.S. Kakodkar said India was prepared to put all facilities that reprocess foreign-supplied fuel under IAEA safeguards. He added, however, that this offer did not imply that India would safeguard all its reprocessing facilities. Kakodkar was vague on the question of whether India would agree to safeguard the reactors that ultimately used reprocessed foreign-sourced fuel.

Kakodkar's Arguments Impress Delegation

16. (C) Kakodkar's presentation and his arguments for reprocessing made a positive impression on the delegation. Several of the delegation members told us they expected to meet

a rigid hardliner who was really interested in reprocessing rights for military reasons. Instead, they found a relaxed and articulate interlocutor who gave what they said were compelling arguments for reprocessing on economic, energy security and technical grounds. Several said that Kakodkar was far more relaxed and engaging than in his interaction with Commerce U/S Lavin and a handful of industry reps last year (reftel).

17. (C) Kakodkar, and the broader Indian argument for reprocessing, may still be widely misunderstood in the U.S., we heard repeatedly from delegation members. Many observers in the U.S., including in the Administration, Congress and the media, still believed that India insisted on reprocessing rights because it hoped to divert reprocessed fuel to its strategic program, we were told. Many in Congress, in particular, were not getting the message that they had heard from Kakodkar in Mumbai, we heard repeatedly. Several delegation members indicated that the time may come when the U.S. may need to rethink its views on reprocessing in the 123 Agreement, and said that U.S. business must do a better job of explaining India's views to Congress. Graham Wisner of Patton Boggs, Vijay Sazawal of U.S. Enrichment Corporation and Phiroze Nagarvala of Bechtel spoke most openly in this direction.

18. (C) Tim Richards, Director of International Energy Policy at General Electric, said he would share a readout and analysis of the group's meeting with Kakodkar for the USG. Richards did not indicate that he shared the view that the U.S. must rethink its position, and said his paper would focus on reporting what the delegation had heard in Mumbai. Ted Jones of USIBC told us that he saw two worst-case scenarios that his organization would work to avoid. The first was a 123 Agreement with reprocessing

MUMBAI 00000134 003.4 OF 004

rights that was voted down by Congress, and the second was a situation where India consented to omit reprocessing rights in a 123 Agreement but ultimately did not do business with U.S. companies, turning instead to countries like Russia and France that granted reprocessing rights. While overall the USIBC had a broad agenda to support U.S. business to India, Jones said, the trade association's civil nuclear working group had clear views on nuclear cooperation with India: It would support any 123 Agreement that benefits U.S. nuclear companies in their efforts to do business with India. Conversely, the working group will not support any 123 Agreement that effectively prevents U.S. companies from doing business with India, Jones told us openly. Jones confided his personal opinion that General Electric, while fully supporting the Administration's efforts to date, could opt to use "its tremendous political clout in Washington" to stall Congressional approval on any 123 Agreement that it feared would effectively bar it from doing business in India while creating an enabling environment for GE's French and Russian competitors.

Kakodkar Seeks U.S. Industry Support

19. (C) Jones said Kakodkar approached him after the meeting to thank USIBC for its role in obtaining Congressional support for civil nuclear cooperation. He told Jones that USIBC's work "was not yet done," and he asked USIBC's support "to mitigate the worst aspects" of the Hyde Act and the Administration's 123 draft. Wisner of Patton Boggs told us he invited Kakodkar to visit the U.S. to make his views better known in Washington. Kakodkar was non-committal and avoided a direct response to Wisner's invitation. Others in the delegation supported the idea of a Kakodkar visit. Consensus existed that the private sector, and not the USG, should invite Kakodkar, and that a trip should include significant interaction with the U.S. scientific community to ensure that Kakodkar's travel doesn't appear to be simply a lobbying effort. Wisner speculated that Kakodkar would probably expect assurances that the USG would issue him a visa.

Nuclear Parks: French Will Get Jaitapur

110. (SBU) India's plans to bundle foreign reactors in "nuclear

parks" came up in the discussion with Kakodkar and in separate meetings that GE and Westinghouse had with Kakodkar and the NPCIL. Kakodkar told both GE and Westinghouse separately that the DAE's growth plans were so significant "that there was place for everybody." When asked, neither company said they were sure whether this meant that both GE and Westinghouse would get their own park. Kakodkar spoke of four parks in his discussions with the companies. Kudankulam in Tamil Nadu would go to the Russians, as had been announced during President Putin's recent visit to India. Manmohan Bhagat, a consultant for Westinghouse, said Kakodkar confirmed that the Jaitapur site in southern Maharashtra would go to the French company Areva. We were unable to get separate confirmation that this was in fact the case. (Comment: Until now, the NPCIL insisted that no decision had been made on Jaitapur, although the French had done previous work for NPCIL at the site. End comment.) If this were true, Bhagat said, Westinghouse would focus its efforts on obtaining the park planned for the Bhavnagar region of Gujarat on a site on the Orissa coastline. NPCIL Chairman S.K. Jain said the U.S. companies could help his company get expedited regulatory approval for new sites if they could offer preliminary work like that which the French had performed in Jaitapur.

U.S. Industry Can Also Benefit From India's Nuclear Know How

¶11. (SBU) The delegation also gave us a readout of their

MUMBAI 00000134 004.4 OF 004

meetings with Indian firms, including Reliance Energy (which hosted the lunch event where Kakodkar made his presentation) and Larson and Toubro. Jones said the delegation discovered that nuclear commerce with India could become a two-way street, with U.S. industry using India as a platform to support the expected renaissance of nuclear power in the U.S. Mark Sheehan of the American Society of Mechanical Engineers (ASME) pointed out that India still used much of his group's technical standards for its power plants. India adopted the standards when it imported the first two Tarapur reactors in the 1960s. One large Indian supplier of the NPCIL was now applying for ASME certification in anticipation of marketing its hardware to the U.S. nuclear industry. Sloan of Nukem said his company envisaged the establishment of fuel processing facilities in India to supply both the Indian market and third markets once the enabling environment is created.

Comment

¶12. (C) The openness, and even enthusiasm, for Kakodkar's arguments was clearly palatable among several members of the delegation. We continue to remind our industry interlocutors of the U.S. policy not to allow reprocessing at this stage of the negotiations, but Kakodkar has other ideas. End comment.

¶13. (U) Embassy New Delhi cleared this cable.OWEN